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CENTRAL INTELLIGENCE AGENCY

# INFORMATION REPORT

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SECURITY INFORMATION

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| COUNTRY | Czechoslovakia | REPORT | |
| SUBJECT | Currency Reform | DATE DISTR. | 9 October 1953 |
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1. The Czech currency reform, which took place at the end of May 1953, was a measure dicated by the Soviets without consultation with Czech financial experts. The operation was carried out by Soviet theoreticians who did not know the monetary or capital situation current in Czechoslovakia, and who started with false assumptions. The reform withdrew 56 billion Kcs. from circulation.

2. The Soviet experts who put through the currency reform expected thereby to:

   a) remove the excess purchasing power lying in the hands of the wealthy classes,
   b) prevent the wealthy classes from saving or hoarding,
   c) bring about deflation,
   d) increase productivity.

3. In fact, the expected increase in productivity has not occurred. The people are demoralised and are withdrawing their remaining bank deposits 'en Masse'. The resulting shortage of money has forced the government to retreat from declared policy and to allow wages to be paid even when no work has been done to earn them. The intended devaluation is not succeeding.

4. The effect of the currency reform on the manual workers is that the latter believe that their interests have been completely disregarded and that they are being deprived of their savings. The farmers complain that they are not being paid for their products which are being requisitioned. Throughout all classes, incomes are being considerably reduced, resulting in general discontent.

5. The currency reform was due to take place on Saturday, 30 May 1953. In fact, no new currency was available on that date; the presses were still engaged throughout the Saturday in printing notes of the old currency. On Sunday, 31 May, a

25 YEAR RE-REVIEW

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special train, declared as ammunition and heavily guarded, arrived in Czechoslovakia from the USSR. Not until the cars were unloaded was it realised that the "ammunition" was in fact the new Czech currency which had been printed in the USSR. During the next few days payments could only be made with the old currency at a rate of 50 to 1.

6. The Czech Government intends to allow small trade undertakings to return to private ownership. This move will, however, create a serious problem as there is now no money left in the hands of the population. Workers are receiving only sufficient money to pay for their food; all other commodities are beyond their means so long as one kilogram of coffee, for instance, costs 300 new Czech crowns (approximately £ 14).



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Czechoslovakia plans to send 150 trade experts - about half of them non-Communists- to Western countries to open up new business connections. The reason for this step is that it is felt that an increase in foreign trade is vital for Czechoslovakia.

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